

Message Text

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ACTION SS-20

INFO OCT-01 EUR-25 ISO-00 TRSE-00 SSO-00 EB-11 COME-00

CIEP-02 FEA-02 NSC-10 NSCE-00 STR-08 PM-07 L-03 PRS-01

CIAE-00 INR-10 NSAE-00 RSC-01 DODE-00 OMB-01 DRC-01

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FM AMEMBASSY BONN

TO SECSTATE WASHDC IMMEDIATE 0214

C O N F I D E N T I A L BONN 01918

FOR UNDER SECRETARY CASEY

DEPARTMENT PLEASE PASS TREASURY

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: OFFSET

REF: STATE 23465

1. WHILE EMBASSY ECON COUNSELOR WAS EXTENDING TO
AMBASSADOR HERMES UNDER SECRETARY CASEY'S LUNCHEON
INVITATION FOR FEBRUARY 15, HERMES INFORMED US OF THE
FOLLOWING:

AT YESTERDAY'S (FEBRUARY 4) MINISTERIAL MEETING
WITH THE CHANCELLOR IT HAD BEEN DECIDED THAT FINANCE
MINISTER SCHMIDT WOULD JOIN THE FRG DELEGATION TO THE
ENERGY CONFERENCE. SCHMIDT, WHO WILL BE ACCOMPANIED
TO WASHINGTON BY THE FINANCE MINISTRY'S OFFSET EXPERT
ASSISTANT SECRETARY HIEHLE, WAS EMPOWERED TO TAKE UP
THE OFFSET QUESTION WITH TREASURY SECRETARY SHULTZ ON
THE MARGIN OF THE ENERGY CONFERENCE. DR. HERMES SAID
THAT IT WAS HOPED THAT THIS DISCUSSION AT THE
MINISTER/SECRETARY LEVEL COULD TAKE PLACE EARLY,
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PREFERABLY ON FEBRUARY 11 BUT AT THE LATEST ON

FEBRUARY 12.

2. DR. HERMES THEN SAID THAT THE NEXT NEGOTIATING ROUND BETWEEN THE US AND FRG DELEGATIONS MUST BE CONSIDERED TENTATIVE, CONTINGENT ON THE OUTCOME OF THE SHULTZ-SCHMIDT TALKS. SHOULD THE RESULTS OF THIS DISCUSSION BE POSITIVE, THERE WOULD BE TIME FOR DR. HERMES, WHO WILL ALSO BE ATTENDING THE ENERGY CONFERENCE, TO CABLE THE REMAINDER OF THE FRG DELEGATION TO JOIN HIM IN WASHINGTON LATER THAT WEEK FOR THE NEXT OFFSET ROUND. ALTHOUGH HE DID NOT EXCLUDE THE POSSIBILITY OF THE NEGOTIATING SESSION BEGINNING ON FEBRUARY 14, HE THOUGHT THAT FEBRUARY 15 WAS A MORE LIKELY TARGET DATE.

3. AMBASSADOR HERMES EXPRESSED GRATITUDE FOR UNDER SECRETARY CASEY'S INVITATION TO LUNCH AT HIS HOME, WHICH HE GLADLY ACCEPTED, PROVIDED THAT NEGOTIATIONS IN FACT CAN AND WILL TAKE PLACE, IN VIEW OF THE NEW "SCENARIO" REPORTED ABOVE. HE EXPRESSED THE HOPE THAT THE OUTCOME OF SHULTZ-SCHMIDT TALKS WILL MAKE IT POSSIBLE FOR THE TWO SIDES TO PROCEED WITH THE NEGOTIATIONS, AS ENVISAGED EARLIER. HE ADDED, HOWEVER, THAT HE COULD NOT NEGOTIATE WITHOUT THE NECESSARY MANDATE, WHICH, BY IMPLICATION, THE MINISTER OF FINANCE COULD GRANT.

4. COMMENT. IT HAS BEEN REPORTED (SEE BONN 543) THAT SCHMIDT INTENDED TO ARROGATE TO HIMSELF THE ROLE OF FINAL ARBITER, ON THE GERMAN SIDE, IN THE OFFSET QUESTION. THE NEW TURN OF EVENTS SEEMS TO BEAR OUT THAT HE HAS SUCCEEDED IN HIS INTENTIONS. HILLENBRAND

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